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UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO DIVISION

In re PACIFIC GAS AND ELECTRIC COMPANY, a California corporation, Debtor. Federal I.D. No. 94-0742640	Case No. 01-30923 DM Chapter 11 Case **NOTICE OF FILING OF CALIFORNIA PUBLIC UTILITIES COMMISSION'S PROPOSED PLAN TERM SHEET (WITHOUT EXHIBITS), AS CORRECTED**

PLEASE TAKE NOTICE that the California Public Utilities Commission (the "Commission") hereby files the Commission's Proposed Plan Term Sheet (without exhibits), as corrected. Also included is a "blacklined" version of the corrected Proposed Plan Term Sheet marked to show changes from the brief as filed.

The corrected Proposed Plan Term Sheet corrects one error concerning the amount of the Rate Recovery Litigation proceeds to be paid to PG&E's ratepayers from the Litigation Trust, which the Commission noticed after the Proposed Plan Term Sheet was filed. We regret this error.

DATED: February 14, 2002

Respectfully,

GARY M. COHEN
AROCLES AGUILAR
MICHAEL M. EDSON
OFFICE OF THE GENERAL COUNSEL
CALIFORNIA PUBLIC UTILITIES COMMISSION

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MICHAEL M. EDSON

-AND-

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In re PACIFIC GAS AND ELECTRIC COMPANY, Debtor
Commission's Proposed Term Sheet for Alternate Plan of Reorganization

The following describes the principal terms of a proposed alternate plan of reorganization (the "Alternate Plan") to be filed by the California Public Utilities Commission (the "Commission") in the chapter 11 case of Pacific Gas and Electric Company ("PG&E").[1]

This Proposed Term Sheet is based solely upon publicly available and other information available to the Commission and is subject to modification upon receipt by the Commission of additional information.

The Alternate Plan is based upon, among other things, various assumptions and projections, including, but not limited to, those relating to future actions to be taken by the Commission. Such assumptions and projections are made solely for purposes of describing the Alternate Plan and for no other purpose and are not binding upon the Commission.

Plan Proponent:	The Commission.
Classification and Treatment of Allowed Claims:	*See* Exhibit A.
Plan Funding:	Allowed Claims[2] (together with postpetition interest at the lowest non-default contract rate or, if no contract or non-default rate exists, then at the federal judgment rate)[3] will be satisfied in full through a combination of cash and the reinstatement or refinancing of certain of PG&E's long-term indebtedness.

[1] The terms hereof have yet to be negotiated with PG&E, the Official Committee of Unsecured Creditors appointed in this chapter 11 case, or other key constituencies. The Commission reserves the right to alter the terms hereof based upon the outcome of such negotiations.

[2] Capitalized terms used and not defined herein shall have the meanings ascribed to such terms in PG&E's First Amended Plan of Reorganization, dated December 19, 2001 (as subsequently amended or modified, the "First Amended Plan").

[3] Consistent with PG&E's First Amended Plan, except as provided by otherwise applicable non-bankruptcy law, postpetition interest will not be paid on the following Allowed Claims: Administrative Expense Claims, Environmental, Fire Suppression and Tort Claims and Chromium Litigation Claims.

Specifically, PG&E's short-term indebtedness incurred during the energy crisis and matured obligations (*i.e.* Allowed Claims in Classes 1, 4f, 5, 6 and 7) together with all Allowed Administrative Claims, Professional Compensation and Reimbursement Claims, Priority Tax Claims, Other Secured Claims (Class 2) and Convenience Claims (Class 10) will be paid in full in cash.[4] PG&E's long-term debt (Classes 3, 4a-e, 4g and 11) will be reinstated pursuant to section 1124(2) of the Bankruptcy Code[5] and shall remain outstanding. All other Allowed Claims (Classes 8, 9 and 12) will be paid in the ordinary course of PG&E's business when and if the same become due and payable.

The holders of PG&E's Preferred and Common Stock Equity Interests (Classes 13 and 14) will retain their respective interests. Accrued and unpaid dividends and sinking fund payments in respect of PG&E's Preferred Stock Equity Interests (approximately $56 million according to PG&E's estimates) will be paid from PG&E's cash on hand and residual revenues.

See Exhibit B for more detail regarding the funding sources and uses under the Commission's Alternate Plan.

Projected Effective Date: No later than January 31, 2003 (the "Effective Date").

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[4] According to PG&E's 8-K filing with the Securities and Exchange Commission on November 30, 2001 (the most recent publicly available information as of the date of this Term Sheet), PG&E has approximately $4.875 billion of cash on hand (including short-term investments). The Commission projects that PG&E's cash balance will increase by approximately $2.98 billion through January 31, 2003 through a combination of (i) PG&E's residual revenues (*i.e.* the excess of retail electric rates over wholesale power, transmission, distribution and other related costs), estimated to equal $1.75 billion for the period December 1, 2001 through January 31, 2003 (note, PG&E has been earning excess revenues over costs since June 2001), and (ii) PG&E's projected retained return on rate base of approximately $1.23 billion. *See* Schedule 3 to Exhibit B for more detail.

[5] All references to the Bankruptcy Code are to title 11 of the United States Code, 11 U.S.C. §§ 101 *et seq.*

Regulation:	All of PG&E's operations would continue to be regulated by the Commission and the various other federal, State and local agencies currently charged with that responsibility.
Dividend and Other Restrictions:	PG&E would be prohibited from declaring or making cash distributions to PG&E Corporation (including by way of dividends and stock repurchases) for 2001, 2002 and 2003.
Net Open Position:	To be resumed by PG&E upon its satisfaction of FERC's creditworthiness requirements, which is assumed to occur no later than January 2003.
Post-Bankruptcy Rate Structure:	The Commission would establish a cost-of-service rate structure that would provide PG&E with an opportunity to recoup its costs and earn a reasonable return on its assets consistent with State law. This cost-of-service rate structure would become effective after all Allowed Claims and dividend and sinking fund payments in respect of PG&E's Preferred Stock Equity Interests have been satisfied in full (together with postpetition interest, where applicable).
Litigation Trust:	On the Effective Date a litigation trust would be established. PG&E would initially fund the trust with (i) cash in an amount to be determined and (ii) various estate claims and causes of action, including but not limited to (a) claims against PG&E Corporation, (b) affirmative recoveries related to refund claims pending before the FERC, (c) other claims against sellers of electricity in the wholesale market, and (d) the first proceeds of recoveries, if any, in the Rate Recovery Litigation in an amount equal to the residual revenues collected from PG&E's ratepayers since at least June 2001. The proceeds of the litigation trust would be distributed solely to or for the benefit of PG&E's ratepayers; the proceeds would *not* be used to fund distributions to holders of Allowed Claims and Interests.
Executory Contracts/Unexpired Leases:	PG&E shall assume all of the executory contracts and unexpired leases to be assumed, or assumed and assigned to Etrans, Gtrans, Gen and other entities under PG&E's First Amended Plan.
Claims Resolution:	PG&E or reorganized PG&E (as the case may be) shall administer the claims resolution process under

	the supervision of a plan administrator to be approved by the Commission. The reasonable fees and expenses incurred by PG&E or reorganized PG&E (as the case may be) and the plan administrator incurred in the conduct of the claims resolution process shall be paid from the operations of PG&E or reorganized PG&E, respectively.
Additional Sources of Liquidity upon Emergence from Chapter 11:	The Alternate Plan assumes that reorganized PG&E will obtain a credit facility sufficient to meet any short-term working capital needs. In addition, the Alternate Plan assumes that PG&E will retain approximately $423 million in cash after making all plan-related distributions required on or before the Effective Date.
Miscellaneous:	Each of the terms described herein is an integral aspect of the Commission's Alternate Plan and, as such, is non-severable from the others. The Commission's Alternate Plan remains subject in all respects, among other things, to the Court's termination of PG&E's plan exclusivity to allow the Commission to file and solicit acceptances to its Alternate Plan and to the preparation, execution and delivery of definitive documentation in form and substance satisfactory to the Commission.

In re PACIFIC GAS AND ELECTRIC COMPANY, Debtor
Commission's Proposed Term Sheet for Alternate Plan of Reorganization

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[1] The terms hereof have yet to be negotiated with PG&E, the Official Committee of Unsecured Creditors appointed in this chapter 11 case, or other key constituencies. The Commission reserves the right to alter the terms hereof based upon the outcome of such negotiations.

[2] Capitalized terms used and not defined herein shall have the meanings ascribed to such terms in PG&E's First Amended Plan of Reorganization, dated December 19, 2001 (as subsequently amended or modified, the "First Amended Plan").

[3] Consistent with PG&E's First Amended Plan, except as provided by otherwise applicable non-bankruptcy law, postpetition interest will not be paid on the following Allowed Claims: Administrative Expense Claims, Environmental, Fire Suppression and Tort Claims and Chromium Litigation Claims.

	Specifically, PG&E's short-term indebtedness incurred during the energy crisis and matured obligations (*i.e.* Allowed Claims in Classes 1, 4f, 5, 6 and 7) together with all Allowed Administrative Claims, Professional Compensation and Reimbursement Claims, Priority Tax Claims, Other Secured Claims (Class 2) and Convenience Claims (Class 10) will be paid in full in cash.[4] PG&E's long-term debt (Classes 3, 4a-e, 4g and 11) will be reinstated pursuant to section 1124(2) of the Bankruptcy Code[5] and shall remain outstanding. All other Allowed Claims (Classes 8, 9 and 12) will be paid in the ordinary course of PG&E's business when and if the same become due and payable. The holders of PG&E's Preferred and Common Stock Equity Interests (Classes 13 and 14) will retain their respective interests. Accrued and unpaid dividends and sinking fund payments in respect of PG&E's Preferred Stock Equity Interests (approximately $56 million according to PG&E's estimates) will be paid from PG&E's cash on hand and residual revenues. *See* Exhibit B for more detail regarding the funding sources and uses under the Commission's Alternate Plan.
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5 All references to the Bankruptcy Code are to title 11 of the United States Code, 11 U.S.C. §§ 101 *et seq.*

Regulation:	All of PG&E's operations would continue to be regulated by the Commission and the various other federal, State and local agencies currently charged with that responsibility.
Dividend and Other Restrictions:	PG&E would be prohibited from declaring or making cash distributions to PG&E Corporation (including by way of dividends and stock repurchases) for 2001, 2002 and 2003.
Net Open Position:	To be resumed by PG&E upon its satisfaction of FERC's creditworthiness requirements, which is assumed to occur no later than January 2003.
Post-Bankruptcy Rate Structure:	The Commission would establish a cost-of-service rate structure that would provide PG&E with an opportunity to recoup its costs and earn a reasonable return on its assets consistent with State law. This cost-of-service rate structure would become effective after all Allowed Claims and dividend and sinking fund payments in respect of PG&E's Preferred Stock Equity Interests have been satisfied in full (together with postpetition interest, where applicable).
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Executory Contracts/Unexpired Leases:	PG&E shall assume all of the executory contracts and unexpired leases to be assumed, or assumed and assigned to Etrans, Gtrans, Gen and other entities under PG&E's First Amended Plan.

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